



**STATE OF WASHINGTON
GAMBLING COMMISSION**

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July 30, 2004

TO: Rick Day, Director

FROM: Agency Rules Team

SUBJECT: Request for Rule Change

Mr. Bob Tull has submitted a Petition for Rule Change, on behalf of ZDI Gaming, Inc. The petitioner is representing that the proposed rules would allow operation of a machine they are developing. The Petition was first up for filing at the July Commission meeting. At that meeting, the Commission held the petition over for action until the August meeting.

History:

Staff has been working with ZDI during the past few months to answer questions about a machine they are developing. Staff has not seen the machine. Therefore, this memo is an analysis of the written material submitted by the petitioner. The petitioner represents that inside the machine is a compact disc, which contains a pull-tab game loaded on software. When a ticket is purchased, the machine is designed to read, print and dispense paper pull-tabs at a pull-tab operator's premises. The machine would also display an electronic image of a pull-tab on a video screen.

The Gambling statute defines a pull-tab as follows:

RCW 9.46.0273 "Punch boards," "pull-tabs." "Punch boards" and "pull-tabs," as used in this chapter, shall be given their usual and ordinary meaning as of July 16, 1973, except that such definition may be revised by the commission pursuant to rules and regulations promulgated pursuant to this chapter.

The Gambling statute defines a gambling device as follows:

RCW 9.46.0241 "Gambling device" "...Any device or mechanism the operation of which a right to money, credits, deposits or other things of value may be created, in return for a consideration, as the result of the operation of an element of chance, including, but not limited to slot machines, video pull-tabs, video poker, and other electronic games of chance;..."

The petitioner is representing that the machine and related rules provide a new method of printing and dispensing pull-tabs. Staff has analyzed the Petition and offers these observations for your consideration as you discuss the petition.

Description of the Machine/Game:

The evaluation is based only on the written material submitted by the petitioner. Staff has not seen or physically tested the machine. The petitioner is proposing two different versions of the machine.

According to the petitioner, in the first version, a player inserts money into a machine and the dollar amount is displayed in the “Credit” window on the video screen. Based on the price of a pull-tab ticket in that particular game, the number of tickets that can be purchased is displayed in the “Plays” window. The player presses the “Spin” button, which triggers two things. A pull-tab ticket is printed and dispensed from the machine, and secondly, electronic images of spinning wheels are displayed on a video screen, along with audio sounds. Ultimately, the spinning wheels stop and an electronic facsimile of a pull-tab is displayed on a video screen. If the ticket is a winner, the dollar amount is added to the “Win” window on the video screen. The petition does not clarify if the machine pays the player or if the player must ask the pull-tab operator for payment of winning tickets.

In the second version, a player would request and pay for a pull-tab ticket. The pull-tab operator would press the “dispense ticket button” on the machine and a ticket would be printed and dispensed. The player would then open the ticket to determine if it is a winner or not. If it is a winner, the pull-tab operator would pay the player and mark the winner from the flare.

The petitioner notes the machine contains software to calculate and provide reports that are currently required for pull-tabs games, such as the number of tickets sold, winning tickets, losing tickets and remaining tickets when a game is pulled.

Finally, the petitioner has verbally stated that both the winning and losing pull-tab tickets will be printed and dispensed by the machine.

Regulatory Concerns:

Following are regulatory concerns staff have identified:

- 1) Is a pull-tab printed at a pull-tab operator’s premises the same as a pull-tab produced by a licensed manufacturer?
- 2) Specific construction standards for the pull-tab tickets (WAC 230-30-103) need to be met. The licensee claims their tickets will meet all current requirements; however, staff is not sure the proposed amendments accomplish these requirements.
- 3) The language drafted by the petitioner is not clear. The petitioner is requesting:

- a) A new subsection (5) to WAC 230-30-030. The petitioner represents the machine will meet the requirements of pull-tab manufacturing rules. However, language in the rules states the machine would “provide the same or functionally similar protections from fraud” as listed in those rules. It is not clear what constitutes “functionally similar”.
- b) Language be added to WAC 230-30-097 include a reference to “electronic media components” and there is no definition of that term.
- c) A provision be added to WAC 230-30-072 that pull-tab “series utilizing point of sale printing with approved electronic audit and security provisions shall be maintained in accordance with requirements of the Commission established at the time of approval under 230-12-316 or as subsequently determined.” Such language was not submitted. The rule proposal refers to “point of sale printing”. However, this concept is not described or defined.
- d) No machine has been submitted to or tested by the Agency Gambling Lab to verify the representations of the petitioner.
- e) Any machine put into play under these rules would need to be tested prior to being put into play. The Agency Gambling Lab would need to test the security and technical protocols of the device to ensure they are in proper working conditions.

Legal and Policy Considerations:

The petitioner is requesting authorization for electronic facsimiles of pull-tabs. However, based on the rules submitted by the petitioner, staff cannot determine what the proposed rules would allow. Following are policy and legal considerations:

- 1) The machine will be perceived by some to be an expansion of gambling. The proposal would allow a system that is not currently authorized.
- 2) Electronic devices enable more effective accounting controls.
- 3) Based on RCW 9.46.0273 above, this is not the usual and ordinary pull-tab game. Therefore, a new pull-tab definition would need to be developed.
- 4) Player interaction with the paper pull-tab has been a traditional part of the game. Would an electronic pull-tab be sufficient to provide needed player interaction.
- 5) Pull-tabs would be printed from a CD at the pull-tab operator’s premises, rather than being produced by a licensed manufacturer.
- 6) Authorizing this machine may lead to other features which may change pull-tab games. For example, requests to increase the number of tickets that can be loaded on a CD, multiple games being played on one machine, and etc.
- 7) Is the machine a video pull-tab or another gambling device as defined in RCW 9.46.0241?

Staff will be available to answer your questions at the Commission meeting on August 12 and 13 in Vancouver.

Thank you.